NATURAL RESOURCES

March 2007

Economic and Revenue Forecast

Fiscal Year 2007
Third Quarter

WASHINGTON STATE DEPARTMENT OF
Natural Resources
Doug Sutherland - Commissioner of Public Lands

Acknowledgements

The Department of Natural Resources' (DNR) revenue forecast is a collaborative effort. It is the product of information provided by private individuals and organizations, as well as DNR staff. Without their contributions the value of the forecast would be greatly diminished.

This forecast draws heavily on a number of publications including those from Resource Information Systems, Inc. (RISI) and Clear Vision Associates (CVA). I would especially like to thank John Natt of CVA and Rocky Goodnow of RISI for their input and for providing data that we use in formulating our forecast of DNR's stumpage prices.

I want to extend special thanks to the individuals who provided information as part of our purchasers' survey. These busy individuals and companies willingly provided information that is essential for estimating timber harvest volume.

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My sincere thanks to you all.

Phil Aust, Lead Economist
DNR Office of Budget and Economics
(360) 902-1031

Copies of this Forecast are available from:
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Prepared by
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Contents

Acronyms and abbreviations

Bbf	Billion Board Feet
CDN$	Canadian dollar
CPI	Consumer Price Index
CY	Calendar Year
DNR	Washington State Department of Natural Resources
FDA	Forest Development Account
Fed	U.S. Federal Reserve
FOMC	Federal Open Market Committee
FY	Fiscal Year
GDP	Gross Domestic Product
ISM	Institute For Supply Management
mbf	Thousand board feet
mmbf	Million board feet
NAFTA	North American Free Trade Agreement
OPEC	Organization of Petroleum Exporting Nations
PPI	Producer Price Index
RCW	Revised Code of Washington
RISI	Resource Information Systems, Inc.
RMCA	Resource Management Cost Account
SAAR	Seasonally Adjusted Annual Rate
US$	U.S. dollar
WTO	World Trade Organization
Y	Japanese yen

Preface

This Forecast projects revenues from Washington State trust lands managed by the state Department of Natural Resources (DNR). These revenues are distributed to management funds and beneficiaries as directed by statute. The forecast information is organized by source, fund, and fiscal year.

DNR revises its forecast quarterly to provide updated information for trust beneficiaries and for department budgeting purposes. (See the Forecast Calendar at the end of this section for data release dates.) We strive to produce the most accurate and objective forecast possible, based on the current policy direction of the department and available information. Actual revenues will depend on future policy decisions by the department, and on market conditions beyond the department's control.

This Forecast covers fiscal years 2007 through 2011. Fiscal years for Washington State government begin on July 1 and end on June 30. For example, FY 07 runs July 1, 2006 through June 30, 2007.

The baseline date (the point that designates the change over from "actuals" to forecast) for this forecast is June 30, 2006, the end of the fourth quarter of FY 06. Normally, the baseline date for a March 07 Forecast would be December 31, 2006, but in March 2006, DNR shifted to a new revenue and land management computer system. By the publication date of this forecast, monthly or quarterly revenue reports were available; but reports on removal levels, volume sold, and value-under-contract were not yet available. Actual removal and revenue data are current as of June 30, 2006. The forecast beyond that date is based on the most up-to-date market information available at the time of publication, including DNR's timber sales results through February 2007. The new system is expected to produce monthly removal and contract inventory reports for the June 2007 Forecast.

Unless otherwise indicated, values are expressed in nominal terms without adjustment for inflation. Therefore, interpreting trends in the forecast requires care to separate inflationary changes in the value of money over time from changes attributable to other economic influences.

Each forecast builds on the previous one, emphasizing ongoing changes. Forecasts evaluate international and national macroeconomic conditions and the demand and supply for forest products. They then analyze the impact on projected revenues from DNR-managed trust lands.

DNR Forecasts provide information that is used in the statewide Washington Economic and Revenue Forecasts by the Office of the Forecast Council. The timing for DNR Forecasts is determined by the statewide Forecast schedule, prescribed by RCW 82.33.020. The table below shows the anticipated schedule for future DNR Economic and Revenue Forecasts.

Forecast Calendar

Forecast Title	Baseline Date	Draft Data Release Date	Final Data and Publication Date (approximately)
June 2007	End Q3, FY 07	June 7, 2007	June 29, 2007
September 2007	End Q4, FY 07	Sept. 7, 2007	Sept. 28, 2007
November 2007	End Q1, FY 08	Nov. 7, 2007	Nov. 30 2007
February 2008	End Q2, FY 08	Feb. 7, 2008	Feb. 30, 2008

Introduction and Forecast Highlights

Economic conditions

In part due to a sluggish housing market, the U.S. economy has slowed slightly over the last three quarters. Growth in real GDP has slowed to 2.0 percent compared to the long term potential of about 3 percent. The slowdown has done little to reverse the creeping rise in core inflation, which now stands at 2.5 percent, towards the top end of the Federal Reserve's (Fed) tolerance level. As a result, we expect the Fed will hold short-term interest rates steady until there is a clear signal that the inflation rate is increasing or that the economy is slowing further.

The housing market continues to send mixed, but mostly negative signals. U.S. housing starts are now at 1.5 million, 31 percent less than last year at this time. While housing starts are down, new home sales are down even more, and the inventory of new homes on the market is at just under 7 months' worth compared to a normal level from 4 to 4.5 months. Housing starts will have to remain at the current level for nine to twelve months in order for inventories of unsold new homes to return to normal levels, after which housing starts are expected to average about 2 million per year.

Housing's single bright spot is continued improvement in affordability as the increase in median incomes outpaces the increase in median new home prices.

Lumber, log, and stumpage prices

Coastal lumber production was down 29 percent in January compared to the same period last year. Sawmill capacity utilization fell from over 90 percent in July 2006 to 70 percent in January.

Between CY 2005 and CY 2006, North America became a net exporter of lumber. While lumber prices trended down in North America over the last two and half years, they have been increasing (in U.S. dollar terms) in Europe and Asia. North American lumber consumption fell 4 billion board feet (Bbf), or 5.2 %, between CY 2005 and CY 2006 and is expected to fall another 5 Bbf in CY 2007.

Despite reduced lumber production, log supplies in Washington tightened during the first two months of CY 2007. This tightness is probably due to a combination of factors, including a reduction of mills' log decks during the late summer and fall and lower log harvest due to weather and market conditions.

DNR stumpage prices averaged only $296/mbf during the fourth quarter of CY 2006, down 24 percent from the previous quarter, but have rebounded to $396/mbf during the first two months of CY 2007. Overall, stumpage prices for DNR wood have been volatile and trending downward over the last five quarters. The November Forecast showed prices falling from $371/mbf in FY 06 to $335 this year and then to $315 in FY 08. Because of the recent strength in DNR stumpage prices, we believe that DNR stumpage prices, while still falling, will not fall to quite as low a level as previously forecast. (See **Figure 3.6** for details.)

Changes from the previous Forecast

During the five-year forecast period (FY 07 through FY 11), forecast revenues are up by $11.3 million, or less than 1 percent, from those forecast in November 2006. Forecast revenues are down by $15.3 million, or 6 percent, in the current fiscal year (FY 07); up by $11.7 million, or 1.5 percent, in the 2007-09 biennium; and up by $14.9 million in the final (FY 09-FY 11) biennium.

Forecast timber sales prices were increased by $5/mbf, or 1.5 percent, for the next three years (FY 07, FY08 and FY 09). Forecast timber sales prices in FY 10 were unchanged but were increased by $30/mbf, or 10 percent, in FY 11. Timber sales prices in FY 11 were previously forecast to fall from those projected in FY 10 because of falling demand for lumber, but we now expect demand to remain stable in FY 11.

The forecast sales volume for FY 07 is down slightly by 13 mmbf, or 2 percent. The planned sales volumes for the remainder of the forecast period are unchanged.

We expect purchasers will continue to harvest about 10 months after a sale. However, recent temporary closures and curtailments of mill operations in Washington and Oregon may cause purchasers to hold DNR sales longer. While we still don't have reliable information on actual removals, some available data indicates that, through January, removals for FY 07 are significantly down. For this reason, we reduced the forecast removal volume for FY 07 by 49 mmbf, or 9 percent.

A portion (13 mmbf) of the reduced removals in FY 06 is the result of the reduced sale that year; the harvest of the remaining 36 mmbf is projected to be delayed until FY 08 and FY 09. Forecast harvest volume in each of those years was increased by 18 mmbf per year, or 3 percent.

For the entire forecast period, forecast timber sales revenues are up by $11.3 million from what was forecast in November. The increase in forecast timber sales prices would have increased revenues by $15.4 million, but that increase was partially offset by a $4.1 million reduction in timber revenues resulting from a reduction in the volume sold in FY 07.

Forecast upland and aquatic lease revenues were not changed from those forecast in November.

Part 1. Macroeconomic Conditions

Because macroeconomic conditions affect the bid prices for Department of Natural Resources (DNR) stumpage (timber) sales, DNR reviews current and predicted conditions of U.S. and world economies when preparing each forecast.

International supply and demand affects domestic stumpage prices because the wood products industry (timber, as well as finished products) is generally subjected to few trade barriers. In addition, relative product prices, which are affected by exchange rates, can play a significant role in the relative competitiveness of the U.S. domestic industry.

Construction activity, particularly new housing, repairs, and remodeling, accounts for most of the consumption of finished wood products in the U.S. As a result, factors that affect construction can influence revenues and revenue forecasts. Construction activity generally follows a trajectory of economic growth and is particularly susceptible to interest rate fluctuations.

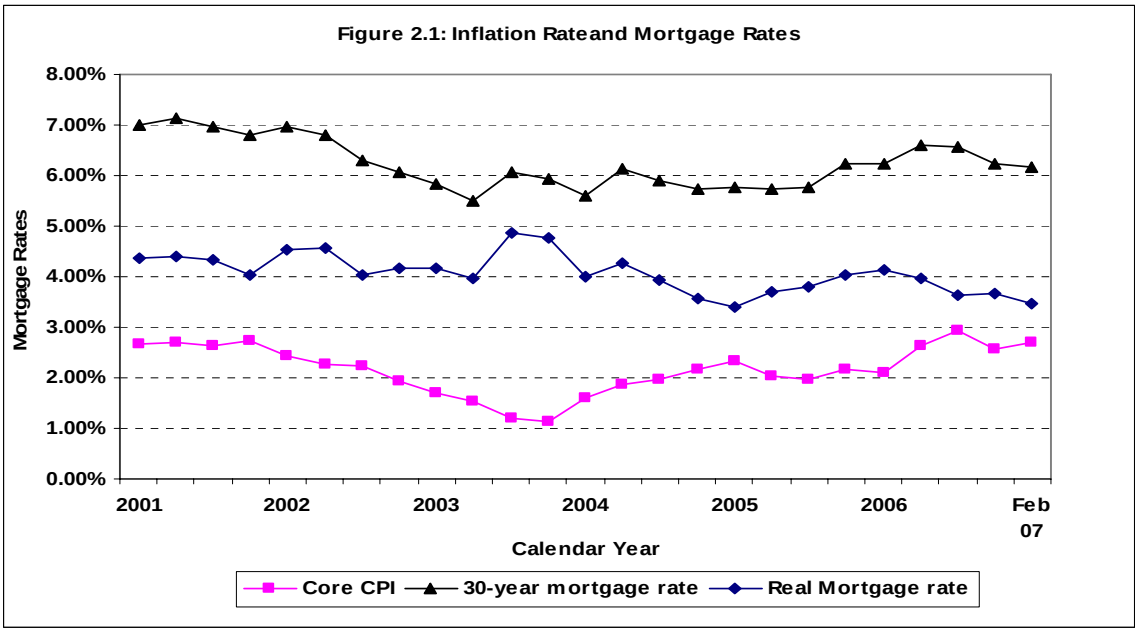
Every year in the September Forecast, we include a section based on this review. Readers interested in the impacts of macroeconomic conditions should refer to this section in the September 2006 Forecast.

Part 2. Log and Lumber Industry Factors

This chapter focuses on the North American timber and wood products industry: in particular, the specific factors that both affect the stumpage prices received by DNR and influence other changes in the revenue forecast.[1] Stumpage prices reflect demand for lumber and other wood products, timber supply, and regional and local milling capacity. The demand for lumber and wood products is directly related to the demand for housing and other end-use markets.

U.S. Housing Markets

Inflation. Core inflation remains surprisingly high and near the top of the Fed's comfort zone of 2.5 percent. (See **Figure 2.1** for detail.) Both the over-all Consumer Price Index (CPI) and the core CPI (without energy and food) increased by 0.3 percent in January over December—that's an annual rate of 3.7 percent. Core CPI is up 2.7 percent from a year earlier, while the over-all CPI is up 2.1 percent compared to last year's January reading. Inflation expectations remain relatively steady. The spread between the 10-year bond and its inflation-indexed counterpart remains at 2.5 percent.



[1] Although DNR timber sales are a significant source of timber in the Pacific Northwest, volumes generally are not sufficiently large to affect prices.

We expect inflation pressures to remain low as energy prices stabilize. Both world and U.S. economies are expected to grow below long-term potential. We look for inflation—both core and over-all—to remain below 2.5 percent.

U.S. Economy. The U.S. economy has slowed slightly over the last nine months, with real gross domestic product (GDP) at 2 %. The housing market and its direct and indirect impact on consumers have generated some concern that the economy could continue to slow. Retail sales rose just 0.1 percent in February, indicating that consumers may be feeling the impact of slowing housing prices and continued high energy prices. Nevertheless, the U.S. economy rallied whenever it started to sputter, and it is expected to do so again. By the third quarter of CY 2007, real GDP should return to over 3 percent, a level that doesn't trigger higher inflation rates.

"To date, the incoming data have supported the view that the current stance of policy is likely to foster sustainable economic growth and a gradual ebbing in core inflation,"

Ben Bernanke
Chairman of the U.S. Federal Reserve
March 28, 2006

Short term interest rates. On March 21, the Federal Reserve's policy-making committee held short-term interest rates at 5.25 percent for the sixth time since last June. There is little indication they will change rates until they receive a clear signal that the economy is slowing or inflation is taking off. At its last meeting, the committee acknowledged that problems in the housing market could spill over into the broader economy, but they didn't mention the current sub-prime interest rate foreclosures as a problem. (Sub-primes will be discussed in greater detail later in this report.) This indicates that the Fed is not as concerned about sub-primes as the market. At the beginning of March, the futures market predicted a 62 percent chance for a reduction in Fed rates by August and a 25 percent chance for a second cut before the end of the year.

Mortgage rates. The 10-year Treasury bond rate is at 4.54 percent, which is up from last quarter but well below the Fed funds rate of 5.25 percent. The average 30-year fixed-rate mortgage is 6.2 percent—up slightly from last quarter but still low historically, especially when adjusted for inflation. (See **Figure 2.1**)

There are a number of factors keeping U.S. mortgage rates low. One primary factor is the increased availability of funds from abroad that support lower long-term interest rates even as the U.S. Federal Reserve (Fed) holds short term rates above levels in other major economies.

Sub-prime mortgages. Everyone has heard about "creative financing"—adjustable-rate loans with introductory low initial rates, but rates and payments that step up over

time; interest-only loans; and lenders willing to bend the rules to help buyers qualify. Creative financing kept the housing market booming. Now that the boom is over, these loans have a new name: "sub-prime."

According to the Mortgage Bankers Association, 13.5 percent of U.S. mortgages were sub-prime last year, compared to 2.6 percent in 2000. By the end of 2006, subprime delinquencies that were more than 60 days late jumped to almost 13 percent, compared to 8 percent a year earlier. Banks are tightening their lending standards, especially on the sub-prime end of the spectrum, as they realize that there is real and growing risk of defaults on creative mortgages. Potential home buyers are being turned down for loans that a year ago would have been approved quickly. Thus, the availability of funds is tighter than interest rates or the affordability index indicate.

It is uncertain if concern over sub-primes will push interest rates up, as lenders require a greater risk premium, or push them down, as lenders compete for the remaining available quality loans. We expect 30-year fixed mortgage rates to remain relatively stable over the forecast period, averaging about 6 percent.

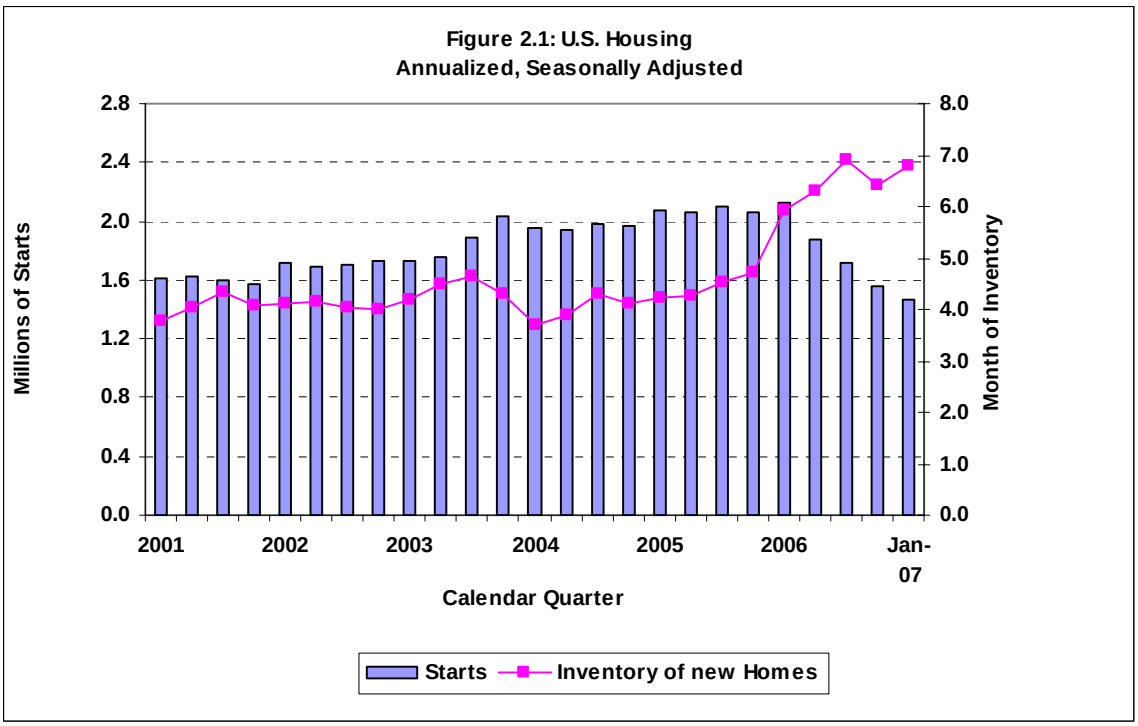
Although the turmoil in the subprime mortgage market has created severe financial problems for many individuals and families, the implications of these developments for the housing market as a whole are less clear. The ongoing tightening of lending standards will reduce somewhat the effective demand for housing, and foreclosed properties will add to the already swollen inventories of unsold homes, prolonging the slowdown.

Housing. The housing market continues to send mixed, but mostly negative, signals. Sales of new single family homes fell by 16.6% in January, but sales of existing homes rose by 3% in the same month. The median price of a new home fell 2.1 percent from a year earlier to $239,800, down 6.7 percent from the record high in April 2006. However, these numbers don't fully capture the decline in pricing. A majority of builders are offering extra features at no additional cost, agreeing to pay buyers' closing expenses, and offering other incentives to move new houses.

Existing home sales showed the sixth straight month of a year-over-year decline in median price, even as the pace of sales picked up slightly. The median price of an existing home sold in January was down 3.1 percent from a year earlier and down 8.5 percent from the record high reached in July 2006.

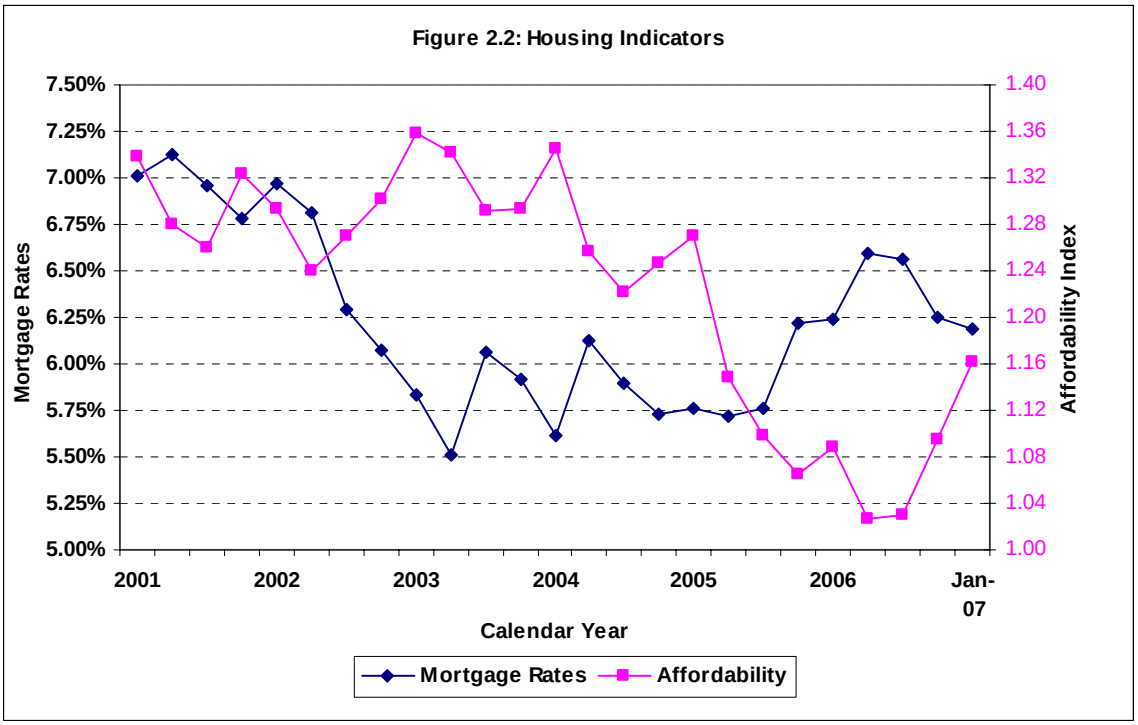
In January, a record 175,000 new homes were available for sale, up 47 percent from a year earlier, while existing homes for sale were up 23 percent from last year's 3.5 million. The latest quarterly U.S. Census report showed a record 2.1 million **vacant** homes available for sale, up 34 percent from a year earlier.

U.S. Housing Starts fell by 30 percent over the last 12 months from 2.1 million in the first quarter of CY 2006 to just 1.5 million so far this quarter. January starts were the lowest since August 1997. Still, there is an inventory of almost 7 months' worth of new homes available for sale at current sales rates. (See **Figure 2.1** for details.)



It will take another nine to twelve months for inventories of unsold new homes to return to normal levels. Housing starts are expected to bounce back modestly over the next few months and hover near the 1.6 million mark for most of CY 2007. Afterwards the levels will gradually increase, moving closer to the longer term sustainable rate of 1.8 to 2.0 million.

All three major factors that impact the affordability index (median home prices, interest rates, and medium income) are moving in a positive direction. As a result, the affordability index has increased by 16 percent since July (see **Figure 2.2**). We expect the index to continue to increase as median income outpaces increases in housing prices, and interest rates remain low and stable. The biggest uncertainty is interest rates, which could rise with risk premiums on mortgages and the redirection of foreign capital to other U.S. investments and non-U.S. markets.



The affordability index is the ratio of median family income and the income needed to qualify to buy a median-priced home.

Lumber, log, and stumpage prices

"For the first time since the early 1990's, a period of tighter global timber and log supply, leading to higher log and lumber prices, could be looming"

Wood Markets
Monthly International Report
February 2007

While U.S. lumber prices have been trending down over the last two and a half years, they have increased (in U.S. dollar terms) in Europe and Asia.

In Europe, soaring lumber demand and numerous sawmill expansions have led to tighter log supplies at very high prices. U.S. softwood log export prices to Japan have risen slowly but steadily since mid-2005, aided by the Yen's appreciation.

Recent indications are that British Columbia's timber harvest will peak earlier than previously expected due both to availability of mountain pine beetle-killed timber and reduced allowable cut in eastern Canada.

Lumber Production. For CY 2006, housing starts are down 12 percent compared to CY 2005. Apparent lumber consumption for CY 2006 totaled 60.3 billion board feet (Bbf), down 6.3 percent compared to 2005, while U.S. lumber production was down 2.3 billion board feet (down 5.7 percent), and imports are down 7.3 percent. Production in the West is down 8.8 percent. At 33.6 Bbf, Canadian softwood lumber production during 2006 was down by just 2.4 percent. (See **Table 2.1** for details.)

Imports from Canada to the U.S. in CY 2006 were 19.9 Bbf, down 6.4 percent from last year. Off shore imports to the U.S. declined nearly 15 percent to 2.2 Bbf. Imports into the U.S from Europe decreased nearly 19 percent.

Lumber production in January was down 29 percent in the Coastal West (Western Washington and Western Oregon) and 25 percent in the Inland West from the same period last year. (Data is not yet available for the South.)

Sawmill capacity utilization fell from over 90 percent in July 2006 to just 70 percent in January. Canadian capacity utilization fell by a similar amount. We expect U.S. capacity utilization to average over 80 percent during the next six months, but to fall again during the fall and winter slow season.

Between CY 2005 and CY 2006, North America went from being a net importer of 0.3 Bbf of lumber to a net exporter of 0.3 Bbf. Strong markets in Europe, the Middle East, and North Africa, as well as steady demand from Japan, along with a weak U.S dollar will provide off-shore producers much better returns than North American markets.

U.S. lumber consumption is expected to fall another 5 Bbf, or 10 percent, in CY 2007. A disproportionate share of this will come from imports, primarily from eastern Canada but also off-shore. We expect net exports from North America will continue to expand to 1.3 billion in CY 2007.

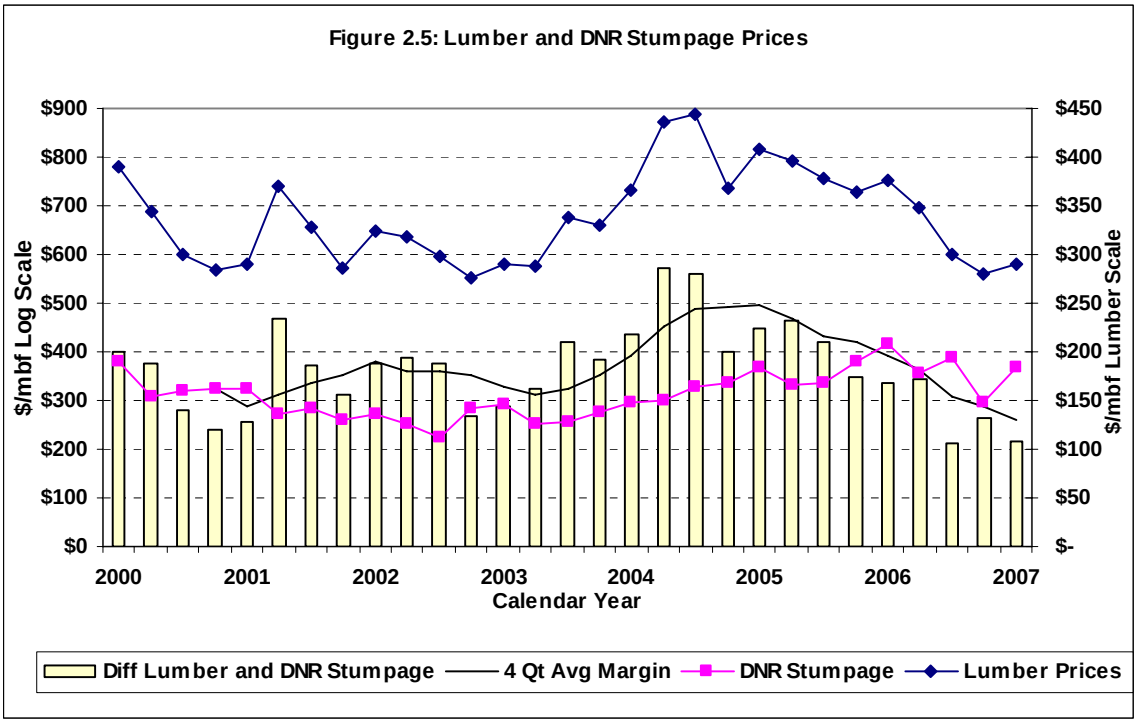
Table 2.1 CY 2006 North American Softwood Lumber Trade

	Billion Board Feet		% of U.S. Consumption	% of Canadian Production	% of North American Consumpt
U.S.					
Consumption		60.3	100%		
Production					
West	17.6		29%		
South	18.5		31%		
Other	2.0		3%		
Total Production		38.2	63%		
Net Imports from:					
Canada	19.9		33%		
Off Shore	2.2		4%		
Total Net Imports		22.1	37%		
Canadian					
Consumption		11.2		33%	
Production		33.6		100%	
Net Exports to:					
U.S.	19.9			59%	
Off Shore	2.5			7%	
Total Net Exports		22.4		67%	
Total North America					
Consumption		71.5			100%
Production		71.7			100%
Net Exports		0.3			0%

Mill closures. So far this calendar year, companies in the Western US have announced 14 new permanent, indefinite, or partial closures.[2] Mills have cited markets and log shortages as the reasons for recent closures. Among these, Weyerhaeuser Co. announced that it will permanently close its Bauman sawmill in Lebanon, Oregon on March 30. Customers of the Bauman mill have had difficulty finding alternative supplies as tight log supplies have limited the ability of the remaining mills to fill new orders.

Prices. For the fourth quarter of CY 2006, the average softwood lumber price was $280/mbf—the lowest quarterly average since the fourth quarter of CY 2002. *Random Lengths* reported an average softwood lumber price of $291/mbf (lumber scale) for the first two months of the quarter, up 4 percent from the third quarter of CY 2006, but more than 23 percent down from the same period last year.[3] (See **Figure 2.5** for details.)

DNR prices averaged just $296/mbf during the fourth quarter, down 24 percent from the previous quarter. Prices rebounded to $396/mbf during January and February of CY 2007, but are still down about 10 percent from the same period last year. The overall trend in DNR stumpage prices of the last five quarters is down with increasing volatility (see **Figure 2.5**).



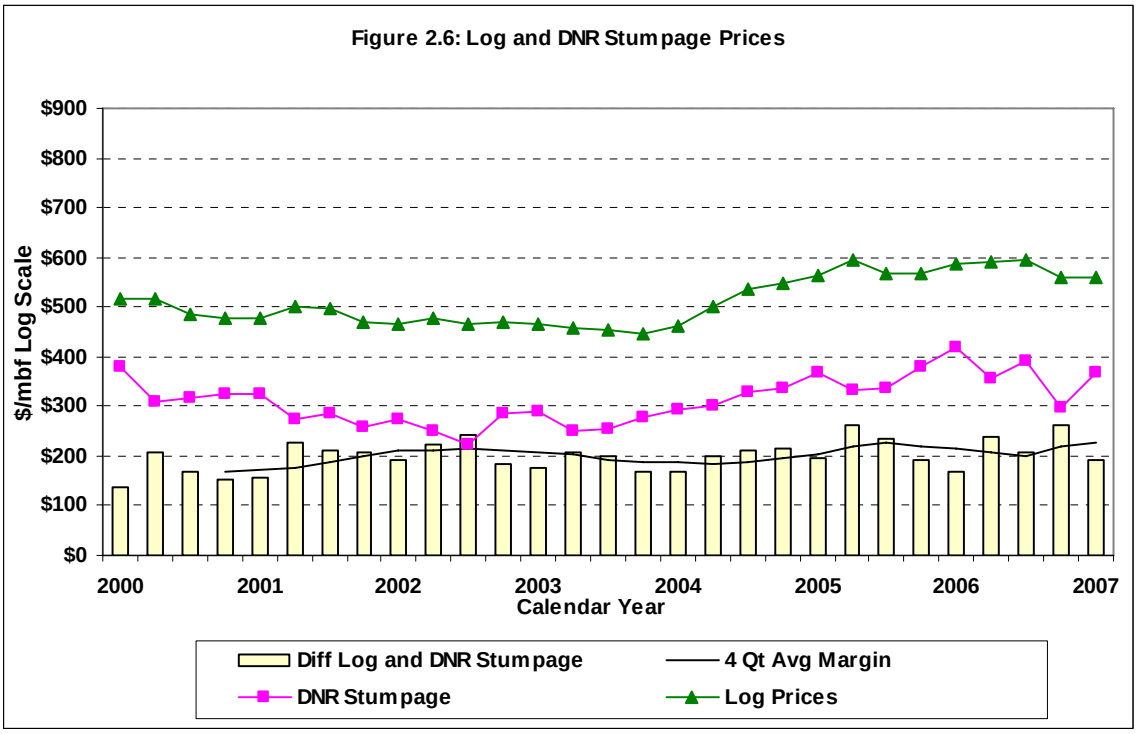
Note: "Margin" is defined as the difference between the average price of lumber and DNR stumpage.

[2] For details, see Random Lengths. Curtailment Watch Lumber Mills–West http://www.randomlengths.com/base.asp?s1=Daily_WoodWire&s2=Curtailment_Watch&s3=Lumber_Mills-West&pub=list (March 12, 2007)

[3] *Random Lengths Yardstick*, February 2007

Lumber prices have fallen more than DNR stumpage prices, reducing the fourth quarter moving average of lumber "margin" (the difference between DNR stumpage and lumber prices) by 47 percent from its peak in the first quarter of CY 2005. This is the margin's lowest level since before 2000 (see **Figure 2.5** above).

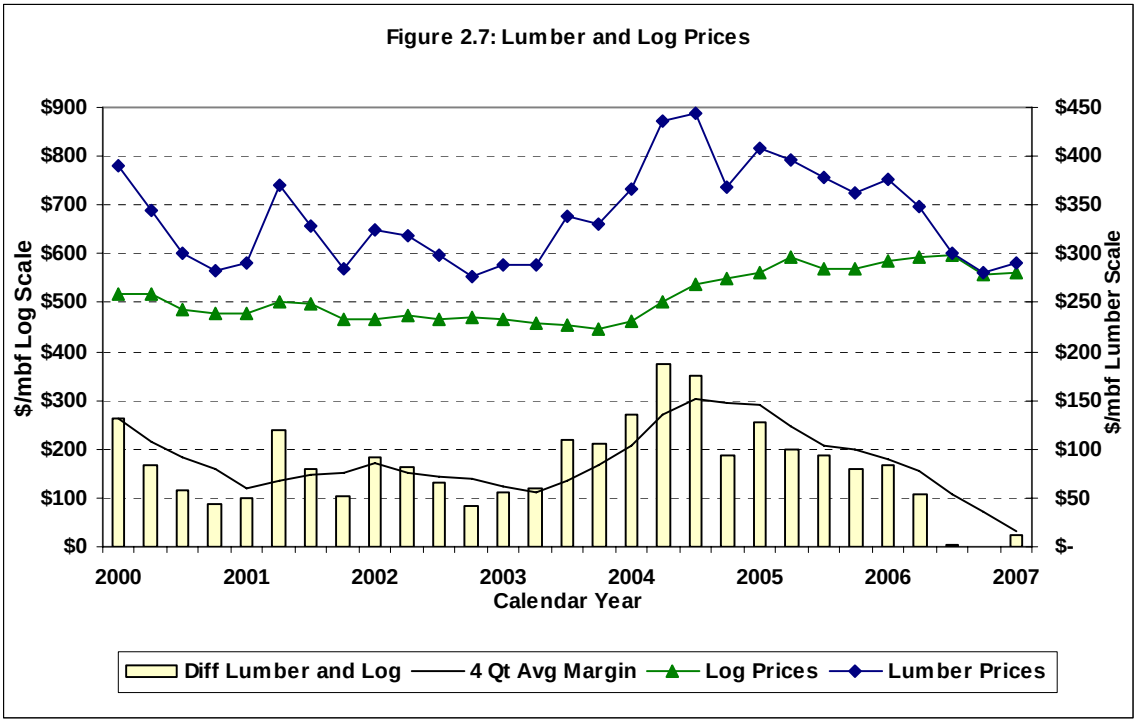
The average log price in the Puget Sound region, as reported by Log Lines, peaked in August at $604/mbf for #2 Sawmill Douglas-fir. The prices have been on a downward trend, falling to $543/mbf in December, 10 percent below their peek. During this same period, DNR stumpage prices fell by a similar percentage, from $382/mbf to $341/mbf. DNR stumpage prices have shown more volatility in log prices because of greater variety in the quality of the sales offered each month (see **Figure 2.6** below).



Note: "Margin" is defined as the difference between the average price of lumber and DNR stumpage.

Figure 2.7 shows the relationship between the composite lumber price index and the benchmark log prices in the Puget Sound region. Despite the significant fall in lumber prices over the past two years, log prices have actually increased through the third quarter, although they were down slightly in the last quarter of CY 2006. This has resulted in a dramatic reduction in margins between logs and lumber prices.

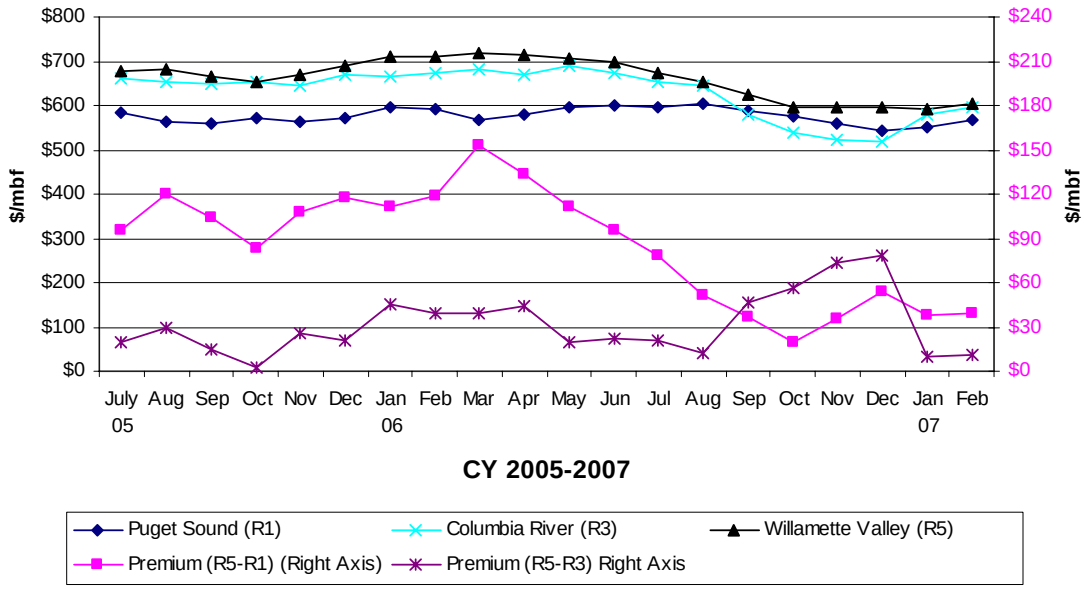
Lumber and log prices in Washington are clearly out of balance at this time, and one of two things will likely happen to restore equilibrium: either lumber prices will increase or mills will continue to close (both temporarily and permanently) until log and stumpage prices fall. Over the next year or so, we don't anticipate a significant increase in lumber prices, because housing starts are expected to remain low and demand for lumber will continue to shrink. If this is so, most if not all of the adjustment will come in the form of lower log and stumpage prices.



Note: "Margin" is defined as the average price difference between lumber and logs.

The price premium on Oregon logs in the Willamette Valley (Region 5) over Puget Sound (Region 1) increased in November and December, but this gap closed in January as log availability in Washington tightened. September prices for logs in the Columbia River Region (Region 3) dipped below prices in Region 1. Previously, Prices in Region 3 closely paralleled prices in Region 5. In January, prices in Region 3 increased dramatically due to a log shortage in that area. (See **Figure 2.8** for details.)

Figure 2.8: #2 Log Prices and Premium



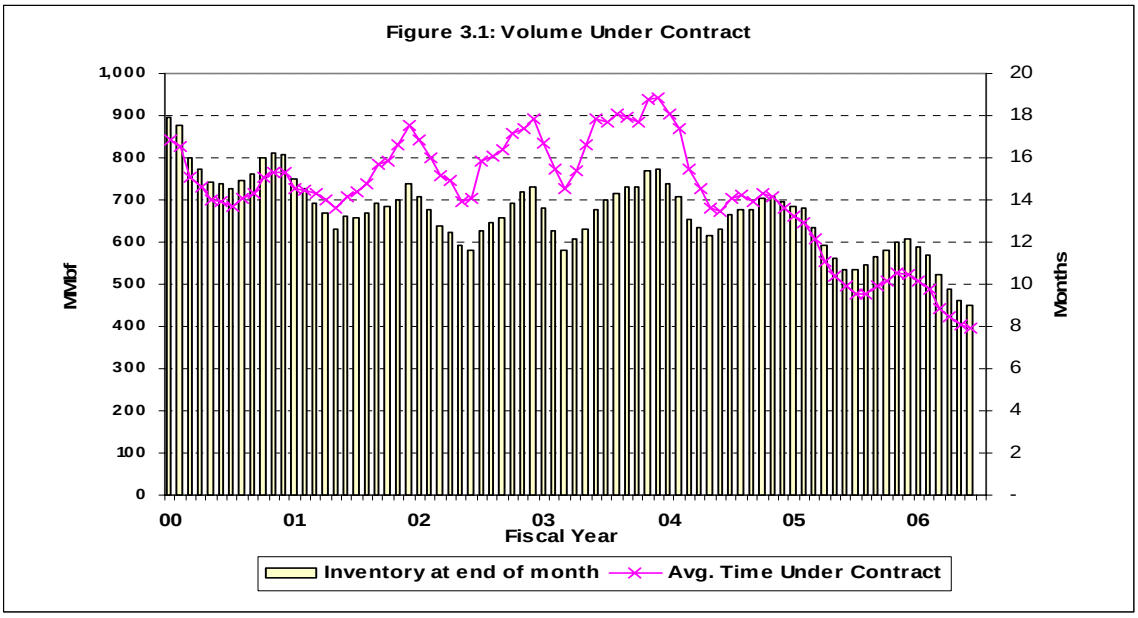
Part 3. DNR's Revenue Forecast

This revenue Forecast includes timber revenues, upland lease revenues, and aquatic revenues. It also forecasts revenues to individual funds. Some uncertainty caveats are summarized at the end of this section.

Timber revenues

The Department of Natural Resources sells timber through contracts. The department determines the total volume offered for sale each month, and the price is set at the time of auction. Revenues are collected at the time of harvest (removal). The purchaser determines the actual time of harvest within the terms of the contract. Contracts sold during the past year vary in duration from 3 months to 3.5 years, with an average of 18 months. Timber that is sold, but not yet harvested, is referred to as "volume under contract" or "inventory." When timber is sold, it goes into the inventory; it is removed from the inventory when it is harvested.

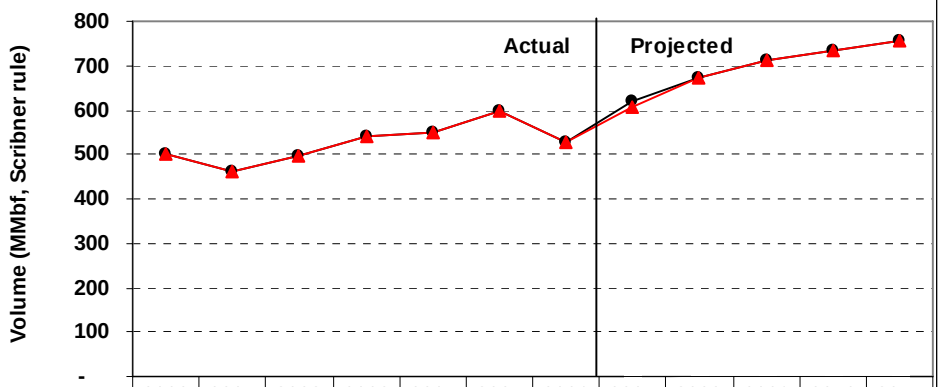
The average duration from sale to harvest (time under contract) fell from 19 months at the beginning of FY 04 to just eight months in February 2006 (see **Figure 3.1**). Monthly data on inventory after this point is not yet available from the new timber sales system. The volume under contract at the end of FY 06 was 449 mmbf, or 9.9 months' worth at the forecast removal rate. The average time under contract is expected to stabilize at the current level, cycling from 8 to 10 months over the coming years.



Timber sales volume. Forecast department timber sales volumes are little changed from the November Forecast. Sales in FY 07 are down slightly but are up over 90 mmbf from FY 06, which was depressed as a result of a legal challenge to the department's new sustainable harvest plan.

In March of 2006, DNR reached a settlement with the plaintiffs in a lawsuit over the department's sustainable harvest. As part of the settlement the department agreed to develop new timber harvest schedules. The department also agreed to recalculate the sustainable harvest by the end of FY 07 (June 31, 2007). The forecast sales volumes will be updated after the Board of Natural Resources approves a new sustainable harvest level. See the June 2006 Forecast for more details on the new agreement and recalculation of the sustainable harvest.

Figure 3.2: Forecast Sales Volume



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Previous Forecast	503	461	495	542	548	599	528	621	674	714	734	755
March 07 Forecast	503	461	495	542	548	599	528	608	674	714	734	755
Change								(13)	-	-	-	-
Percent change								-2%	0%	0%	0%	0%

Fiscal year ending June 30

Timber removal volume. Normally, the March Forecast would feature actual removal totals through the first half of the current fiscal year (in this case, FY 07), but due to disruptions caused by a new revenue and land management system, only volume under contract as of June 30, 2006 (the end of FY 06) was available at the time of publication .

Because of the shift to a new revenue and land management computer system, DNR has been unable to conduct a timber purchasers' survey this quarter and will not be able to conduct another until April 2007. The last purchasers' survey was conducted in January 2006.

Only timber sales revenues are available to estimate timber removal volumes for FY 07. The recorded revenue for that period is $84.5 million. Using the $360/mbf we forecast for the full year, we estimate that removals for FY 07 through January totaled 235 mmbf.

If FY 07 were an average year (with 62 percent of the annual volume harvested from June to January), the estimated volume harvested for the full year would be 379 mmbf. But FY 07 will be anything but a normal year because of the shift to the new revenue system, weather, and markets.

- **New revenue system.** Due to the new revenue system, reported revenue collections through January may not be consistent with previous periods; therefore, we may be under estimating removals to date.

- **Weather.** Severe weather, including fire, wind, rain, and snow, has hampered harvesting across western Washington for the past seven months.

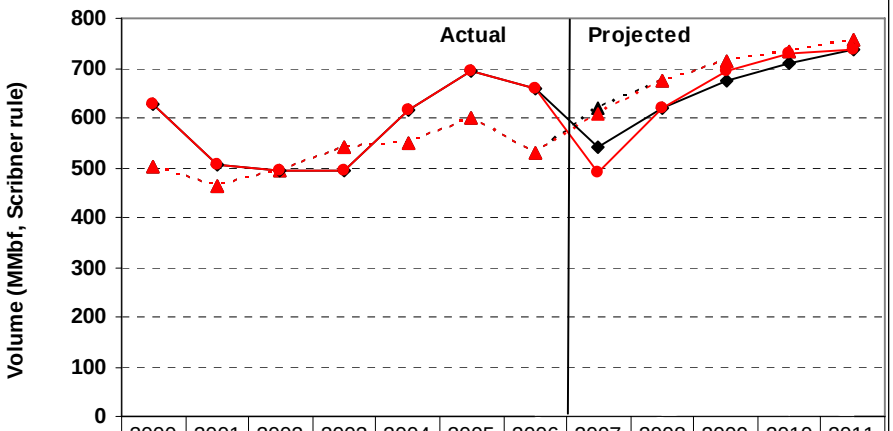
- **Markets.** As mentioned earlier, both U.S. housing and lumber markets have been depressed for the last seven months, so lumber prices are currently at five year lows. Mill margins are at very low levels, and coastal lumber production is down by about 20 percent from the same period last year. Normally during a down market, harvest of state logs falls even further than overall markets, as mills conserve cash flow by depleting their existing log decks and reducing their harvest from department sales—particularly in the winter months.

Mills have cited **log shortages** and market conditions for recent mill curtailments. Also, lumber prices appear to be coming off three year lows, while log prices in western Washington appear to be up, at least temporarily (see **Figures 2.7 and 2.8**).

Although the level is lower than last quarter, a number of mills have announced short-term curtailment of operations, but we expect that production will resume at more normal levels during the spring construction season.

Figure 3.4 shows a comparison of both forecast sales and removals in the November and March 2007 Forecasts. We have reduced forecast removals for FY07 by 10 percent, or 49 mmbf, from that projected in November. Forecast removals in FY 08 are unchanged. The level of forecast removals is increased by 18 mmbf in FY 09 and FY 10. With the 13 mmbf reduction in sales volume, there was no change in the volume under contract at the end of the forecast period.

Figure 3.4: Timber Volume - Sales and Removal



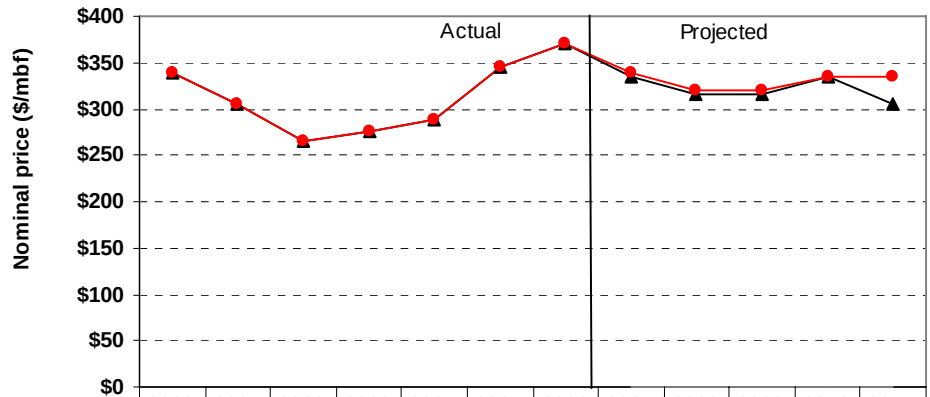
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sales Previous Forecast	503	461	495	542	548	599	528	621	674	714	734	755
Sales - Mar. 07 Forecast	503	461	495	542	548	599	528	608	674	714	734	755
Removals Prev. Forecast	628	505	492	494	616	696	658	539	619	676	710	736
Removals - Mar. Forcast	628	505	492	494	616	696	658	490	620	694	728	736
Change							0	-49	0	18	18	0
% Change							0.0%	-10.1	0.0%	2.6%	2.5%	0.0%

The current forecast assumes purchasers will conclude each fiscal year with about 11 months' worth of harvest under contract. The weighted average length of sales contracts is now about 19 months. It is possible, therefore, that purchasers could delay removals on individual sales and move the average time under contract up by about 3 months. This would remove 190 mmbf from the removals category and add it to the volume under contract. Purchasers could then reduce the volume under contract when markets recover. At this point, we assess the upside and downside risks on the removal forecast to be roughly in balance.

Timber sales prices. The actual average timber sales price for FY 07 through February was $348/mbf on a volume of 306 mmbf, or 50 percent of the planned sales for the full year. Prices averaged $390/mbf during the first quarter of FY 07. During the second quarter, they fell to just $296/mbf, and during the last two months, they have averaged $368/mbf. (See **Figure 2.6** for details.)

Based on these recent prices and the current log shortage in western Washington and Oregon, we have increased the forecast sales price for all of FY 07 to $340/mbf. This is up by $5/mbf, or 1.5 percent, from the sales price forecast in November. This implies an average price of $332/mbf for the remainder of the FY 07. Also because of the relative strength of recent sales, we have increased the forecast sales prices for FY 08 and FY 09 by $5/mbf to $320/mbf. The forecast average price in FY 10 remained unchanged at $335/mbf, but we have increased the forecast sales price in the last year of the Forecast by $30/mbf, bringing it to the same level rather than having it fall. (See **Figure 3.6** for details.)

Figure 3.6: Timber sales prices - Comparison of previous forecast with current forecast, 2000-2011



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Previous Forecast	$340	$305	$264	$276	$288	$345	$371	$335	$315	$315	$335	$305
Mar. 07 Forecast	$340	$305	$264	$276	$288	$345	$371	$340	$320	$320	$335	$335
Change								$5	$5	$5	$0	$30
% Change								1.5%	1.6%	1.6%	0.0%	9.8%

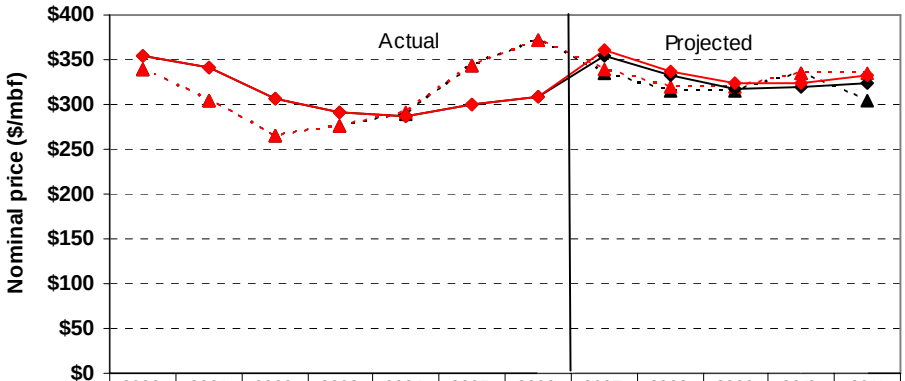
Fiscal year ending June 30

We now judge the risk to the sales price forecast to be balanced: The strength of sales prices over the past two months during a major down turn in housing starts and lumber prices gives us hope, but the fact that these sales prices are unsustainable at current lumber prices counter-balances that optimism.

Timber removal prices. Removal prices are a function of sales prices and removal timing. They can be thought of as a moving average of previous sales prices, weighted by the volume of sales removed from each previous sales period. This results in a smoothing out and a lag of removal prices compared to sales prices.

Projected removal prices in FY 07 are up by $5/mbf, or less than 1.3 percent. Next biennium, prices in FY 08 are up by about $3/mbf, or 1 percent, while those in FY 09 are up by $5/mbf from the November Forecast. Projected removal prices in FY 10 and FY 11 are up by $4/mbf and $8/mbf respectively (see **Figure 3.7**).

Figure 3.7: Timber prices - Comparison of previous forecast with current forecast, 2000-2011



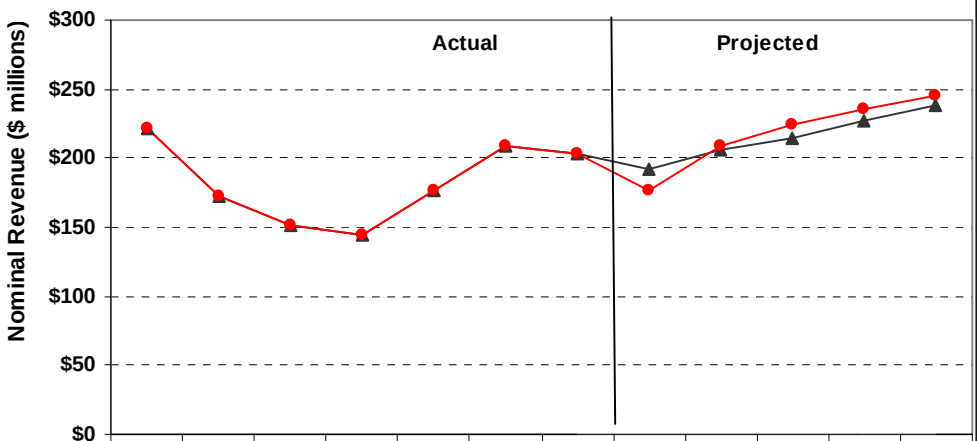
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sales Prev. Forecast	$340	$305	$264	$276	$288	$345	$371	$335	$315	$315	$335	$305
Sales Mar. Forecast	$340	$305	$264	$276	$291	$345	$371	$340	$320	$320	$335	$335
Removals Prev. Forecast	$353	$342	$307	$291	$286	$300	$308	$355	$333	$318	$320	$324
Removals Mar. Forecast	$353	$342	$307	$291	$286	$300	$309	$360	$336	$323	$324	$333
Change							$1	$5	$3	$5	$4	$8
%Change							0.2%	13%	10%	17%	13%	2.6%

Fiscal year ending June 30

Timber removal revenues. Timber removal revenues in any given period are calculated by the volume harvested and multiplied by the average removal price.

For the full Forecast period (FY 07 through FY 11), forecast timber removal revenues are up by $11.3 million from the revenues forecast in November (see **Figure 3.8**). Removal revenues are up by $15.7 million due to increased projected sales revenues. This is partially offset by the $4.4 million reduction that resulted from a reduction in sales volume in FY 07.

Figure 3.8: Timber removal revenues - Comparison of previous forecast with current forecast, 2000-2009



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Previous Forecast	$222	$173	$151	$144	$176	$208	$203	$192	$206	$215	$227	$239
Mar. Forecast	$222	$173	$151	$144	$176	$208	$203	$176	$208	$224	$236	$245
Change							0.5	(15.3)	2.1	9.5	8.7	6.2
% Change							0%	-8%	1%	4%	4%	3%

Fiscal year ending June 30

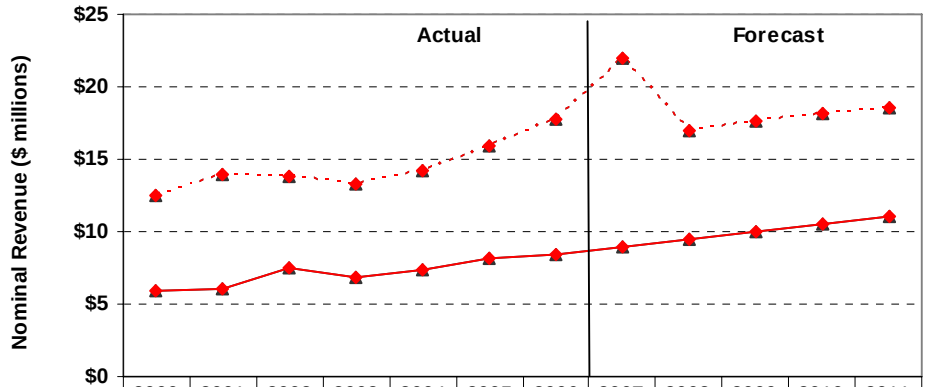
Upland lease revenues

Upland lease revenues are generated primarily from leases and the sale of valuable materials other than timber. In the Forecast, upland lease revenues are divided into two categories:

1) **Commercial**—Commercial real estate leases.
2) **Ag and Other**—Agricultural, special use, mineral and hydrocarbon, rights-of-way, communications sites, and special forest products leases, and sale of valuable materials.

Collections from both types of leases for FY 07 (year-to-date through January) are consistent with those forecast in November. As a result, we are not revising our projected upland lease revenues for the March Forecast (see **Figure 3.9**).

Figure 3.9: Upland lease revenue - Comparison of previous forecast with current forecast, 2000-2011



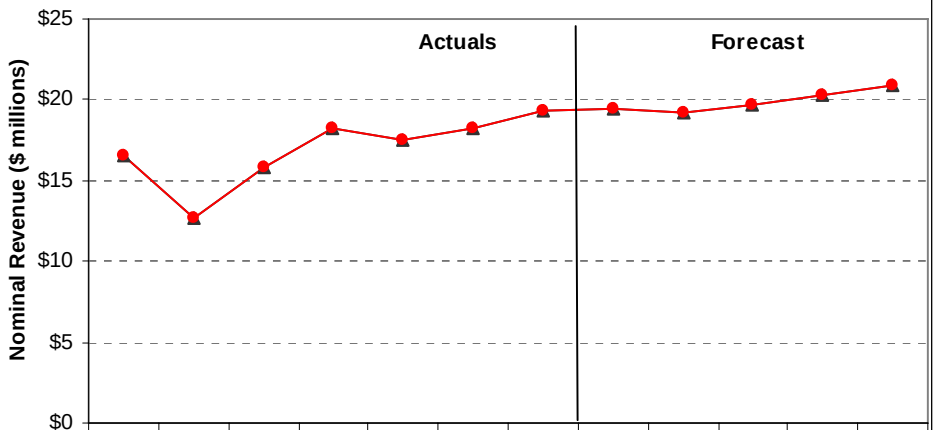
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Ag. & Other Prev. For.	12.5	14.0	13.8	13.2	14.2	15.9	17.8	22.0	17.0	17.6	18.1	18.6
Ag & Other - Mar.	12.5	14.0	13.8	13.2	14.2	15.9	17.8	22.0	17.0	17.6	18.1	18.6
Commercial Prev. For.	6.0	6.0	7.5	6.8	7.4	8.2	8.4	9.0	9.5	10.0	10.5	11.0
Commercial - Mar.	6.0	6.0	7.5	6.8	7.4	8.2	8.4	9.0	9.5	10.0	10.5	11.0

Fiscal year ending June 30

Aquatic revenues

Collections of aquatic revenues for FY 07 (year-to-date through January) are higher than we anticipated in the November Forecast. In particular, collections for the harvest of geoduck and recent geoduck sales prices have been high. Due to a great deal of uncertainty about these revenues, we are not revising our projected aquatic revenues at this time. However, the upside potential on our current Forecast has increased from November's Forecast.

Figure 3.10: Aquatic revenues - Comparison of previous forecast with current forecast, 2000-2011



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Prev. Forecast	$16.5	$12.7	$15.8	$18.2	$17.5	$18.2	$19.3	$19.4	$19.2	$19.7	$20.3	$20.8
Nov. Forecast	$16.5	$12.7	$15.8	$18.2	$17.5	$18.2	$19.3	$19.4	$19.2	$19.7	$20.3	$20.8
Change								$-	$-	$-	$-	$-

Fiscal year ending June 30

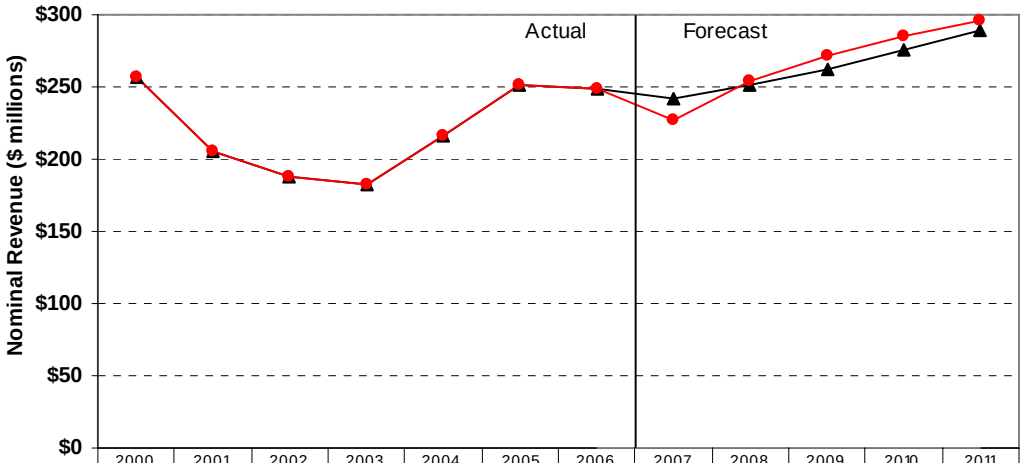
Forecast Aquatic revenues in FY 07 and FY 08 are virtually the same as revenues collected in FY 06. As some specific short-term right-of-way revenues end, they are offset by expected increases in revenues in other areas. Revenues after 2008 are expected to increase by about $0.5 million per year [$500,000 per year].

Total revenues from all sources

Overall, forecast total revenues for the period (FY 07 through FY 11) are up by $11.3 million, just 0.9 percent, from those forecast in November. They are down by $15.3 million, or 6.3 percent in FY 07, and up by $11.7 million, or 2.3 percent, next biennium, and up by $14.9 million during the last biennium of the Forecast.

All the changes in forecast revenues are due to changes in forecast timber revenues. The increase in forecast sales prices, and subsequent removal prices increasing forecast revenues by $15.7. This increase was partially offset by a reduction in sales volume in FY 07 which reduction in forecast revenues by $4.4 million.

Figure 3.11: Total revenues - Comparison of previous forecast with current forecast, 2000-2011



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Previous forecast	$256.8	$205.3	$188.0	$182.3	$215.9	$250.7	$248.3	$242.0	$251.9	$262.1	$276.2	$289.3
Nov. Forecast	$256.8	$205.3	$188.0	$182.3	$215.9	$250.7	$248.7	$226.7	$254.1	$271.6	$284.9	$295.5
Change							$0.5	$(15.3)	$2.1	$9.5	$8.7	$6.2
%Change							0%	-6%	1%	4%	3%	2%

Fiscal year ending June 30

Some caveats

DNR strives to produce the most accurate and objective forecast possible, based on the department's current policy directions and the information available at the time the Forecast is produced. Actual revenues will depend on future policy decisions made by the legislature and the department, as well as market conditions beyond the department's control.

Listed below are issues that potentially could significantly impact future revenues from DNR-managed lands:

- **Sales volume.** The projected sales levels in this Forecast are based on the 2006 agreement that resolved a legal challenge to DNR's sustainable harvest calculation. As a part of the agreement, DNR will re-run the sustainable harvest model and bring the results to the Board of Natural Resources (the Board) for a decision before the end of CY 2007. When the Board approves a new sustainable harvest level, the department will revise its timber sales plan and the Forecast accordingly. See the June 2006 Forecast for more details on this issue. http://www.dnr.wa.gov/htdocs/obe/revforecasts/june06forecast.pdf

- **Housing markets.** A very strong housing market fueled the demand for lumber and supported lumber prices through the first quarter of CY 2006. The strong housing market was supported by low interest rates and appreciating housing prices. The March 2007 Forecast assumes that the housing boom will hit bottom in a "soft landing"—moving to more sustainable long-term rates. If the bubble bursts, the housing market could crash. This could significantly reduce the demand for lumber and stumpage, resulting in lower sales prices than currently Forecast.

- **Volume under contract.** The volume under contract fell significantly over the last three years as purchasers harvested more than the department sold. Over the Forecast period, we expect the volume under contract to stabilize relative to removals at the 8-to-11 month supply level. However, the scheduling of removals within the terms of the contract is at the purchasers' discretion. The purchasers could choose to rebuild their inventories, particularly during a period of reduced timber demand, by reducing removals relative to sales. This could significantly reduce removals and revenues below the levels in our current Forecast. On the other hand, purchasers could continue to accelerate removals by shortening the average time under contract.

- **RMCA management fee.** The increase in the RMCA management fee (set by the state Board of natural Resources to pay the costs of managing state trust forests) during the 2005-2007 biennium (FY 06 and FY 07) removed a large uncertainty from the forecast for that period. However, without additional legislative action, the maximum RMCA management fee will return to 25 percent on July 1, 2007, and revenues to RMCA will be about $5.8 million less per year

next biennium than if the deduction remained at 30 percent. This could constrain DNR's ability to produce revenues starting in FY 08. The department submitted legislation which would increase the maximum deduction to 30 percent. The legislature is currently considering this draft legislation.

These and other future circumstances will undoubtedly impact future revenues. As events and market conditions develop, DNR will incorporate new information into future forecast updates.

Distribution of revenues

Change from previous Forecast. Timber revenues by fund are based on:

- The value of timber in the inventory (sales sold but not yet harvested) as of the beginning of FY 07.
- Planned sales for FY 08 and FY 09.
- The distribution of the sustainable harvest for FY 10 and FY11.

Sales are assumed to be harvested on average 10 months after they are sold. Distribution of lease revenues is assumed to be proportional to historic distributions.

A single timber sale can be worth over $3.0 million, so the removal or addition of a single sale can result in a significant shift in revenues to a specific fund.

Revenue forecast tables

Tables 3.1 and 3.2 on the following pages provide forecast details. Table 3.1 focuses on the source of revenues, and Table 3.2 focuses on the distribution of revenues. Both tables include historical and projected figures.

Table 3.1: March 07 Forecast by Source (In millions of dollars)

Change from Nov. 06 Forecast

Timber Sales	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Volume (mmbf)	533	599	528	608	674	714	734	755
Change	-	-	-	(13)	-	-	-	-
% Change	0%	0%	0%	-2%	0%	0%	0%	0%
Price ($/mbf)	$291	$345	$371	$340	$320	$320	$335	$335
Change	$2	$0	$0	$5	$5	$5	$0	$30
% Change	1%	0%	0%	1%	2%	2%	0%	10%
Value of Timber Sales (In millions of dollars)	**$ 155.0**	**$ 206.3**	**$ 196.0**	**$ 206.7**	**$ 215.7**	**$ 228.5**	**$ 245.9**	**$ 252.9**
Change	$ -	$ -	$ -	$ (1.3)	$ 3.4	$ 3.6	$ -	$ 22.7
% Change	0%	0%	0%	-1%	2%	2%	0%	10%

Timber Removals	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Volume (mmbf)	616	696	658	490	620	694	728	736
Change	-	-	-	(49)	0	18	18	-
% Change	0%	0%	0%	-9%	0%	3%	3%	0%
Price ($/mbf)	$286	$300	$309	$360	$336	$323	$324	$333
Change	$0	$0	$1	$5	$3	$5	$4	$8
% Change	0%	0%	0%	1%	1%	2%	1%	3%
Timber Revenue (In millions of dollars)	**$ 176.5**	**$ 208.4**	**$ 203.2**	**$ 176.3**	**$ 208.4**	**$ 224.3**	**$ 236.0**	**$ 245.0**
Change	$ -	$ -	$ 0.5	$ (15.3)	$ 2.1	$ 9.5	$ 8.7	$ 6.2
% Change	0%	0%	0%	-8%	1%	4%	4%	3%

Lease Revenue	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Agricultural and Mineral	$ 14.2	$ 15.9	$ 17.8	$ 22.0	$ 17.0	$ 17.6	$ 18.1	$ 18.6
Change	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
% Change	0%	0%	0%	0%	0%	0%	0%	0%
Commercial	$ 7.4	$ 8.2	$ 8.4	$ 9.0	$ 9.5	$ 10.0	$ 10.5	$ 11.0
Change	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
% Change	0%	0%	0%	0%	0%	0%	0%	0%
Aquatic Revenue	$ 17.8	$ 18.2	$ 19.3	$ 19.4	$ 19.2	$ 19.7	$ 20.3	$ 20.8
Change	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
% Change	0%	0%	0%	0%	0%	0%	0%	0%
Total Lease Revenue	**$ 39.4**	**$ 42.2**	**$ 45.6**	**$ 50.4**	**$ 45.7**	**$ 47.3**	**$ 48.9**	**$ 50.4**
Change	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
% Change	0%	0%	0%	0%	0%	0%	0%	0%

Total All Source	**$ 215.9**	**$ 250.7**	**$ 248.7**	**$ 226.7**	**$ 254.1**	**$ 271.6**	**$ 284.9**	**$ 295.5**
Change	$ -	$ -	$ 0.5	$ (15.3)	$ 2.1	$ 9.5	$ 8.7	$ 6.2
% Change	0%	0%	0%	-6%	1%	4%	3%	2%

Trust Land Transfer (resource value)	**$ 18.4**	**$ 19.9**	**$ 11.3**	**$ 50.3**	**$ -**	**$ -**	**$ -**	**$ -**
Change	$ -	$ -	N.A.	N.A.	$ -	$ -	$ -	$ -
% Change	0%	0%	N.A.	N.A.	-	-	-	-

Note: Trust land transfer is not included in distribution revenues.
This table excludes interest and Land Bank transactions, fire assessments, permits, and fees.
Totals may not add due to rounding.

Table 3.2: March 2007 Forecast by Fund (In millions of dollars)

RMCA uplands in FY 06 & FY 07===> 30%
RMCA uplands in FY 08 & FY 09===> 25%
RMCA uplands in FY 10 & FY 11===> 25%

Change from Nov. 06 Forecast

Management Funds		FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
041	RMCA - Upland	$ 23.3	$ 29.2	$ 38.2	$ 36.5	$ 34.6	$ 39.1	$ 40.7	$ 41.9
	Change	$ -	$ -	$ 0.5	$ (2.5)	$ (0.0)	$ 1.3	$ 1.3	$ 0.9
	% Change	0%	0%	1%	-6%	0%	3%	3%	2%
041	RMCA - Aquatic	$ 7.3	$ 7.6	$ 8.3	$ 8.2	$ 8.2	$ 8.4	$ 8.6	$ 8.9
	Change	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	% Change	0%	0%	0%	0%	0%	0%	0%	0%
014	FDA	$ 23.8	$ 26.0	$ 22.7	$ 19.7	$ 21.1	$ 20.7	$ 22.5	$ 23.9
	Change	$ -	$ -	$ -	$ (1.3)	$ 0.4	$ 0.5	$ 0.6	$ 0.6
	% Change	0%	0%	0%	-6%	2%	3%	3%	3%
Total Management Funds		**$ 54.3**	**$ 62.7**	**$ 69.2**	**$ 64.4**	**$ 63.9**	**$ 68.2**	**$ 71.8**	**$ 74.6**
	Change	$ -	$ -	$ 0.5	$ (3.9)	$ 0.4	$ 1.9	$ 1.9	$ 1.5
	% Change	0%	0%	1%	-6%	1%	3%	3%	2%

Current Funds		FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
113	Common School Construction	$ 49.8	$ 63.3	$ 64.3	$ 57.8	$ 69.7	$ 77.5	$ 81.7	$ 84.4
	Change	$ -	$ -	$ -	$ (4.0)	$ (2.0)	$ (1.9)	$ 1.4	$ 1.7
	% Change	0%	0%	0%	-7%	-3%	-2%	2%	2%
999	Forest Board Counties	$ 70.7	$ 81.1	$ 72.6	$ 59.4	$ 66.0	$ 63.1	$ 68.3	$ 72.5
	Change	$ -	$ -	$ -	$ (4.5)	$ 1.8	$ 2.6	$ 2.1	$ 1.8
	% Change	0%	0%	0%	-7%	3%	4%	3%	3%
001	General Fund	$ 5.6	$ 3.2	$ 2.9	$ 3.0	$ 3.3	$ 3.7	$ 3.8	$ 3.9
	Change	$ -	$ -	$ -	$ (0.1)	$ (0.1)	$ (0.5)	$ (0.0)	$ 0.1
	% Change	0%	0%	0%	-4%	-2%	-11%	0%	2%
348	University Bond Retirement	$ 0.6	$ 1.6	$ 2.3	$ 1.6	$ 4.9	$ 5.7	$ 3.5	$ 2.9
	Change	$ -	$ -	$ -	$ (0.5)	$ 0.4	$ 0.9	$ 0.4	$ 0.1
	% Change	0%	0%	0%	-23%	10%	19%	13%	2%
347	WSU Bond Retirement	$ 0.8	$ 0.9	$ 1.1	$ 1.2	$ 0.9	$ 1.0	$ 1.0	$ 1.0
	Change	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	% Change	0%	0%	0%	0%	0%	0%	0%	0%
042	CEP&RI	$ 6.0	$ 5.8	$ 3.8	$ 7.4	$ 7.0	$ 6.4	$ 7.3	$ 7.9
	Change	$ -	$ -	$ -	$ (0.4)	$ 0.3	$ 1.5	$ 0.5	$ 0.2
	% Change	0%	0%	0%	-5%	5%	29%	7%	2%
036	Capitol Building Construction	$ 5.6	$ 8.5	$ 7.0	$ 5.6	$ 10.2	$ 15.2	$ 15.6	$ 15.6
	Change	$ -	$ -	$ -	$ (0.8)	$ 0.8	$ 2.8	$ 1.2	$ 0.4
	% Change	0%	0%	0%	-12%	8%	22%	9%	3%
061/3	Normal (CWU, EWU, WWU, TESC) S	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1	$ 0.1
	Change	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	% Change	0%	0%	0%	0%	0%	0%	0%	0%
Other Funds		$ 1.0	$ 0.0	$ 0.0	$ 0.2	$ 0.7	$ 0.2	$ 0.2	$ 0.2
	Change	$ -	$ -	$ -	$ (0.1)	$ 0.1	$ 0.0	$ 0.0	$ 0.0
	% Change	0%	0%	0%	-35%	16%	21%	1%	3%
Total Current Funds		**$ 140.1**	**$ 164.5**	**$ 154.2**	**$ 136.3**	**$ 162.8**	**$ 172.9**	**$ 181.5**	**$ 188.6**
	Change	$ -	$ -	$ -	$ (10.5)	$ 1.3	$ 5.4	$ 5.6	$ 4.2
	% Change	0%	0%	0%	-7%	1%	3%	3%	2%

(Continued)

Table 3.2(Continued): March 07 Forecast by Fund (In millions of dollars)

RMCA uplands in FY 06 & FY 07===> 30%
RMCA uplands in FY 08 & FY 09===> 25%
RMCA uplands in FY 10 & FY 11===> 25%

Change from Nov. 06 Forecast

Aquatic lands Enhancement Account	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
02R	**$ 10.4**	**$ 10.6**	**$ 11.1**	**$ 11.2**	**$ 11.0**	**$ 11.3**	**$ 11.6**	**$ 12.0**
Change	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
% Change	0%	0%	0%	0%	0%	0%	0%	0%

Permanent Funds		FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
601	Agricultural College Permanent	$ 3.6	$ 4.1	$ 4.7	$ 2.5	$ 5.1	$ 7.3	$ 6.5	$ 6.3
	Change	$ -	$ -	$ -	$ (0.7)	$ (0.1)	$ 1.5	$ 0.7	$ 0.2
	% Change	0%	0%	0%	-22%	-2%	26%	11%	3%
604	Normal School Permanent	$ 3.2	$ 2.8	$ 3.3	$ 2.0	$ 3.6	$ 5.4	$ 4.5	$ 4.1
	Change	$ -	$ -	$ -	$ (0.2)	$ 0.2	$ 0.5	$ 0.3	$ 0.1
	% Change	0%	0%	0%	-8%	7%	11%	8%	3%
605	Common School Permanent	$ 0.4	$ 0.3	$ 0.3	$ 0.4	$ 0.3	$ 0.3	$ 0.3	$ 0.4
	Change	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	% Change	0%	0%	0%	0%	0%	0%	0%	0%
606	Scientific Permanent	$ 3.2	$ 5.0	$ 5.6	$ 8.1	$ 6.1	$ 5.1	$ 7.9	$ 9.1
	Change	$ -	$ -	$ -	$ (0.1)	$ 0.3	$ 0.4	$ 0.2	$ 0.2
	% Change	0%	0%	0%	-2%	4%	7%	2%	3%
607	University Permanent	$ 0.4	$ 0.7	$ 0.5	$ 1.7	$ 1.2	$ 1.1	$ 0.6	$ 0.5
	Change	$ -	$ -	$ -	$ 0.0	$ (0.0)	$ (0.2)	$ (0.0)	$ 0.0
	% Change	0%	0%	0%	3%	-3%	-13%	-2%	3%
Total Permanent Funds		**$ 10.9**	**$ 12.9**	**$ 14.3**	**$ 14.8**	**$ 16.3**	**$ 19.2**	**$ 19.9**	**$ 20.3**
	Change	$ -	$ -	$ -	$ (1.0)	$ 0.4	$ 2.2	$ 1.1	$ 0.5
	% Change	0%	0%	0%	-6%	2%	13%	6%	3%

Total All Funds	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Total	**$ 215.7**	**$ 250.7**	**$ 248.8**	**$ 226.7**	**$ 254.1**	**$ 271.6**	**$ 284.9**	**$ 295.5**
Change	$ -	$ -	$ 0.5	$ (15.3)	$ 2.1	$ 9.5	$ 8.7	$ 6.2
% Change	0%	0%	0%	-6%	1%	4%	3%	2%

Note: Trust land transfer is not included in distribution revenues.
This table excludes interest and Land Bank transactions, fire assessments, permits, and fees.
Totals may not add due to rounding.